

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Chester	County Eaton
Fiscal Year End 3/31/06	Opinion Date 4/24/06	Date Audit Report Submitted to State 7/21/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

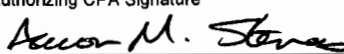
**UNIT**

**2** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Rd, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA		License Number 1101024055

**Township of Chester  
Eaton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2006**

Township of Chester

Eaton County, Michigan

March 31, 2006

BOARD OF TRUSTEES

Donald Stall

Supervisor

Sheila Draper

Clerk

Carolyn Walker

Treasurer

H. Devere Cook

Trustee

David Gilding

Trustee

Township of Chester  
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Principals

Dale J. Abraham, CPA  
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Aaron M. Stevens, CPA  
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**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Chester  
Charlotte, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Chester, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Chester, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 24, 2006

## **BASIC FINANCIAL STATEMENTS**

Township of Chester

STATEMENT OF NET ASSETS

March 31, 2006

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 131,937
Investments	75,435
Receivables	3,492
Prepays	<u>1,552</u>
Total current assets	212,416
Noncurrent assets	
Investments	171,825
Capital assets, net	<u>177,936</u>
Total noncurrent assets	<u>349,761</u>
TOTAL ASSETS	562,177
LIABILITIES	
Current liabilities	
Accounts payable	1,220
Accrued liabilities	<u>3,366</u>
TOTAL LIABILITIES	4,586
NET ASSETS	
Invested in capital assets	177,936
Unrestricted	<u>379,655</u>
TOTAL NET ASSETS	<u>\$ 557,591</u>

See accompanying notes to financial statements.

Township of Chester

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 66,685	\$ 11,934	\$ -	\$ (54,751)
Public safety	25,690	3,000	-	(22,690)
Public works	24,528	120	2,490	(21,918)
Health and welfare	2,210	-	-	(2,210)
Community and economic development	120	-	-	(120)
Recreation and cultural	2,000	-	-	(2,000)
Other	8,297	-	-	(8,297)
Total governmental activities	<u>\$ 129,530</u>	<u>\$ 15,054</u>	<u>\$ 2,490</u>	(111,986)
General revenues:				
Property taxes				40,392
State shared revenue				120,084
Investment earnings				<u>7,567</u>
Total general revenues				<u>168,043</u>
Change in net assets				56,057
Net assets, beginning of the year				<u>501,534</u>
Net assets, end of the year				<u>\$ 557,591</u>

See accompanying notes to financial statements.

Township of Chester

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 131,937	\$ -	\$ 131,937
Investments	236,107	11,153	247,260
Accounts receivable	1,480	-	1,480
Taxes receivable	2,012	-	2,012
Prepays	1,552	-	1,552
<b>TOTAL ASSETS</b>	<b>\$ 373,088</b>	<b>\$ 11,153</b>	<b>\$ 384,241</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,220	\$ -	\$ 1,220
Accrued liabilities	3,366	-	3,366
<b>TOTAL LIABILITIES</b>	<b>4,586</b>	<b>-0-</b>	<b>4,586</b>
<b>FUND BALANCES</b>			
Reserved for			
Perpetual care	-	11,153	11,153
Prepays	1,552	-	1,552
Unreserved - undesignated	366,950	-	366,950
<b>TOTAL FUND BALANCES</b>	<b>368,502</b>	<b>11,153</b>	<b>379,655</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 373,088</b>	<b>\$ 11,153</b>	<b>\$ 384,241</b>

See accompanying notes to financial statements.

Township of Chester

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2006

**Total fund balances - governmental funds** \$ 379,655

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	240,832
Accumulated depreciation is	<u>(62,896)</u>

Capital assets, net	<u>177,936</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 557,591</u></u>
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See accompanying notes to financial statements.

Township of Chester

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
REVENUES			
Taxes	\$ 43,036	\$ -	\$ 43,036
Licenses and permits	120	-	120
Intergovernmental	122,574	-	122,574
Charges for services	12,000	-	12,000
Interest and rents	7,395	462	7,857
TOTAL REVENUES	185,125	462	185,587
EXPENDITURES			
Current			
General government	62,101	-	62,101
Public safety	25,690	-	25,690
Public works	24,528	-	24,528
Health and welfare	2,210	-	2,210
Community and economic development	120	-	120
Recreation and cultural	2,000	-	2,000
Other	8,297	-	8,297
TOTAL EXPENDITURES	124,946	-0-	124,946
EXCESS OF REVENUES OVER EXPENDITURES	60,179	462	60,641
Fund balances, beginning of year	308,323	10,691	319,014
Fund balances, end of year	\$ 368,502	\$ 11,153	\$ 379,655

See accompanying notes to financial statements.

Township of Chester

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

**Net change in fund balances - total governmental funds** **\$ 60,641**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Capital outlay	3,636	
Depreciation expense	<u>(8,220)</u>	
Excess of depreciation expense over capital outlay		<u>(4,584)</u>

**Change in net assets of governmental activities** **\$ 56,057**

See accompanying notes to financial statements.

Township of Chester

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Chester, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Eaton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of Chester. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the basic financial statements of the Township of Chester contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements).

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund and nonmajor fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major fund of the Township is:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for interest on long-term debt which is recorded when due.

5. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The budget was not amended during the current year.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and money market accounts. Investments consist of certificates of deposit with an original maturity of greater than 90 days. Cash, cash equivalents, and investments are recorded at market value.

7. Property Tax

The Township of Chester bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Eaton County Treasurer on March 1. The Eaton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service. For the year ended March 31, 2006, the Township levied .8903 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2005 levy for property within the Township was \$45,559,300.

8. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	5 years

9. Comparative Data

Comparative data has not been presented in the financial statements due to the Township's requirement to prepare audited financial statements only once every two years.

Township of Chester  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**Deposits**

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, the carrying amount of the Township's deposits were \$379,197 and the bank balance was \$382,833. As of March 31, 2006, the Township accounts were fully insured by the FDIC for \$382,833.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Township of Chester  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2006, was as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Buildings and improvements	\$ 232,396	\$ -	\$ -	\$ 232,396
Equipment	<u>4,800</u>	<u>3,636</u>	<u>-</u>	<u>8,436</u>
Totals at historical cost	237,196	3,636	-0-	240,832
Less accumulated depreciation for:				
Buildings and improvements	( 54,676 )	( 7,260 )	-	( 61,936 )
Equipment	<u>-</u>	<u>( 960 )</u>	<u>-</u>	<u>( 960 )</u>
Total accumulated depreciation	<u>( 54,676 )</u>	<u>( 8,220 )</u>	<u>-0-</u>	<u>( 62,896 )</u>
Capital assets, net	<u>\$ 182,520</u>	<u>\$( 4,584 )</u>	<u>\$ -0-</u>	<u>\$ 177,936</u>

Depreciation expense was charged to the following governmental activities:

General government	<u>\$ 8,220</u>
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Township of Chester  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE D: FUND BALANCE RESERVES**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following is the fund balance reserve as of March 31, 2006:

General Fund	
Reserved for prepaids	\$ <u>1,552</u>
Nonmajor governmental fund	
Reserved for perpetual care	\$ <u>11,153</u>

**NOTE E: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township is exposed to various risks of loss for workers' compensation claims for which the Township carries commercial insurance.

**NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Township hall	\$ 4,000	\$ 6,235	\$ 2,235
Cemetery	11,150	16,260	5,110
Public works			
Drains at large	500	1,576	1,076
Community and economic development			
Planning and zoning	-	120	120

## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Chester

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 38,795	\$ 38,795	\$ 40,392	\$ 1,597
Administrative fees	2,600	2,600	2,644	44
Total taxes	41,395	41,395	43,036	1,641
Licenses and permits				
Building/zoning permits	-	-	120	120
Intergovernmental - State				
State shared revenue	115,000	115,000	120,084	5,084
Metro right of way	3,060	3,060	2,490	(570)
	118,060	118,060	122,574	4,514
Charges for services				
Fire runs	2,500	2,500	3,000	500
Cemetery lots	300	300	2,000	
Grave openings	-	-	7,000	7,000
Total charges for services	2,800	2,800	12,000	7,500
Interest and rents				
Interest	2,500	2,500	7,105	4,605
Rent	200	200	290	90
Total interest and rents	2,700	2,700	7,395	4,695
TOTAL REVENUES	164,955	164,955	185,125	18,470
EXPENDITURES				
General government				
Township board	2,050	2,050	1,752	298
Supervisor	7,550	7,550	7,440	110
Clerk	9,660	9,660	8,736	924
Board of Review	1,150	1,150	993	157
Treasurer	12,700	12,700	11,935	765
Assessor	8,750	8,750	8,750	-0-
Elections	150	150	-	150
Township hall	4,000	4,000	6,235	(2,235)
Cemetery	11,150	11,150	16,260	(5,110)
Total general government	57,160	57,160	62,101	(4,941)

Township of Chester

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public safety				
Fire protection	\$ 42,000	\$ 42,000	\$ 25,690	\$ 16,310
Public works				
Highways, streets, and bridges	45,000	45,000	22,952	22,048
Drains at large	500	500	1,576	(1,076)
Total public works	45,500	45,500	24,528	20,972
Health and welfare				
Ambulance	2,210	2,210	2,210	-0-
Community and economic development				
Planning and zoning	-	-	120	(120)
Recreation and cultural				
Library grant	2,000	2,000	2,000	-0-
Other				
Social security	2,350	2,350	2,220	130
Insurance	5,500	5,500	5,160	340
Contingencies	6,880	6,880	-	6,880
Other	1,300	1,300	917	383
Total other	16,030	16,030	8,297	7,733
TOTAL EXPENDITURES	164,900	164,900	124,946	39,954
EXCESS OF REVENUES OVER EXPENDITURES	55	55	60,179	58,424
Fund balance, beginning of year	308,323	308,323	308,323	-0-
Fund balance, end of year	\$ 308,378	\$ 308,378	\$ 368,502	\$ 58,424

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Members of the Township Board  
Township of Chester  
Charlotte, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Chester, Michigan for the year ended March 31, 2006. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is the result of our evaluation of the internal control structure and our discussions with management.

Budgets should be monitored and amended when necessary.

As noted in the financial statements, some of the activities of the Township exceeded the amounts appropriated in the General Fund.

The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated April 24, 2006.

This report is intended solely for the use of management and the Township Board of the Township of Chester, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

April 24, 2006